UNITED STATES DISTRICT COURT

DISTRICT OF MINNESOTA

ST. CLAIR COUNTY EMPLOYEES' RETIREMENT SYSTEM, Individually and on Behalf of All Others Similarly Situated, Plaintiff, vs. RESIDEO TECHNOLOGIES, INC., MICHAEL G. NEFKENS and JOSEPH D. RAGAN III, Defendants.	Civ. No. CLASS ACTION COMPLAINT FOR VIOLATIONS OF THE FEDERAL SECURITIES LAWS DEMAND FOR JURY TRIAL

Plaintiff St. Clair County Employees' Retirement System ("plaintiff"), individually and on behalf of all others similarly situated, by plaintiff's undersigned attorneys, for plaintiff's complaint against defendants, alleges the following based upon personal knowledge as to plaintiff and plaintiff's own acts and upon information and belief as to all other matters based on the investigation conducted by and through plaintiff's attorneys, which included, among other things, a review of Resideo Technologies, Inc. ("Resideo" or the "Company") press releases, U.S. Securities and Exchange Commission ("SEC") filings, analyst reports, media reports, and other publicly disclosed reports and information about the Company. Plaintiff believes that substantial additional evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

SUMMARY OF THE ACTION

1. This is a securities class action on behalf of all persons who purchased the common stock of Resideo between October 29, 2018 and October 22, 2019, inclusive (the "Class Period"), against Resideo and its President and Chief Executive Officer ("CEO"), Michael G. Nefkens ("Nefkens"), and Executive Vice President and Chief Financial Officer ("CFO"), Joseph D. Ragan III ("Ragan"), for violations of the Securities Exchange Act of 1934 ("1934 Act").

INTRODUCTION AND BACKGROUND

2. As reported in the Company's filings with the SEC, Resideo purports to be a global provider of products, software, solutions, and technologies that help homeowners stay connected and in control of their comfort, security, and energy use. The Company also provides home heating, ventilation and air conditioning controls and security solutions and is

a distributor of security and low-voltage electronic products. The Company was formed through a spin-off from Honeywell International Inc. on October 29, 2018.[1] The Company began trading under the ticker symbol "REZI" on the New York Stock Exchange ("NYSE") on October 29, 2018.

3. The Company, prior to and after the spin-off from Honeywell, operates through two segments, Products and Distribution, which contributed 49% and 51% in revenues, respectively, for the year ended December 31, 2017. The Company's products reportedly consist of solutions in the following Comfort & Care and Security & Safety categories:

- ***Comfort & Care***:[2] These solutions include home products, services, and technologies, including:
    - **Temperature and Humidity Control Solutions**: Devices to control air conditioners and heating equipment, thermostats, and zoning devices.
    - **Thermal Solutions**: Devices to control heating and cooling equipment, such as water heaters, boilers, furnaces, heat pumps, and air heaters.
    - **Water Solutions**: Devices to control hydronic heating, cooling, and potable water solutions.
    - **Air Solutions**: Devices to control air quality, such as whole home humidifiers and dehumidifiers, air filters, and air purification and odor control solutions.
    - **Remote Patient Monitoring Software Solutions (telehealth)**: Systems that record, organize, and transmit patient health data to health service providers to monitor patient well-being.

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[1] On October 29, 2018, Honeywell's shareholders of record as of October 16, 2018 ("Record Date") received one share of the Company's common stock, par value $0.001 per share, for every six shares of Honeywell's common stock, par value $1.00 per share, held as of the Record Date, and cash for any fractional shares of the Company's common stock.

[2] The Resideo Comfort & Care solutions are still marketed and sold under the Honeywell Home brand.

- **Software Solutions**: Global software platforms and mobile applications that provide contractors and consumers with access to services such as demand response, energy management and auto-replenishment services and predictive appliance diagnostics.

- ***Security & Safety***:[3] They include professionally installed and monitored intrusion and life safety detection and alarm systems, as well as self-installed and self-monitored awareness solutions, including:

    - **Security Panels**: Control devices that communicate with sensors that receive event or condition signals and send those signals to a monitoring station.

    - **Sensors**: Devices that detect intrusion (for example, motion, opening of doors and windows, and breaking of glass), smoke, carbon monoxide, and water and transmit a signal to a security panel.

    - **Peripherals**: Accessories that interact with security systems, such as keypads and key-fobs.

    - **Wire and Cable**: Low voltage electrical wiring and category cable.

    - **Software Solutions**: Global software platforms and mobile applications that provide contractors and consumers with access to services such as alarm monitoring, communication, automation, and video services.

    - **Communication Devices**: Devices that transmit notifications and security information from security systems to monitoring stations.

    - **Video Cameras**: Battery-operated indoor and outdoor video motion.

    - **Awareness Solutions**: Self-installed and self-monitored systems that include a home gateway/hub, cameras, and awareness sensors.

    - **Cloud Infrastructure**: Network operating center that routes signals between home and monitoring station and enables secured remote data transmissions.

[3] The Resideo Security & Safety solutions are still marketed and sold primarily under the Honeywell brand.

- **Installation and Maintenance Tools**: Software tools and applications to enable security contractors to install, program, and maintain security systems.

4. The Company's distribution segment, called ADI, is purportedly the leading wholesale distributor of security and low voltage electronics products, which include security, safety, and audio visual products and related accessories, including third-party products:

- **Security products**
  - **Video Surveillance**: Internet protocol and high-definition analog cameras, recording and storage devices, and video management and analytics software.
  - **Intrusion**: Residential and commercial alarm systems, keypads, detection and sensing devices, and alarm communication equipment.
  - **Access Control**: Access control panels and software, readers, credentials, locking hardware, gate control, and intercoms.
- **Other products**
  - **Fire and Life Safety**: Fire alarm control panels, fire detection equipment, fire notification equipment, and manual call points/stations.
  - **Wire, networking and professional audio visual systems**.

5. On October 2, 2018, Resideo filed an amended Registration Statement on Form 10 in connection with the spin-off from Honeywell. The Registration Statement included a description of Resideo's business operations, the reasons for the spin-off, and consolidated financials for the business segments that would become Resideo (the "Business"). The Registration Statement stated in relevant part:

> On October 10, 2017, Honeywell announced plans for the complete legal and structural separation of our Business from Honeywell. In reaching the decision to pursue the Spin-Off, Honeywell considered a range of potential

> structural alternatives for the Business and concluded ***that the Spin-Off is the most attractive alternative for enhancing stockholder value***.
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> * * *
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> Following the Spin-Off, [Resideo] and Honeywell will each have a more focused business better positioned to invest in growth opportunities through tailored capital allocation ***and will be better able to execute on each company's specific strategic plans***.[4]

6. On October 10, 2018, the Company held its first Investor Showcase and Technology Demonstration, hosted by defendants Nefkens and Ragan, during which defendants provided background on Resideo, its products, operations, and financial prospects. The accompanying slide presentation included a slide titled "2019 Full Year Financial Metrics," which included 4%+ organic growth and ~13% adjusted EBITDA margin. During the conference, defendant Ragan stated:

> ***2019, we are looking at revenue growth, organic revenue growth, at 4%***. You've seen over the last few years, it has been 4%. . . . ***But what we're talking about for [20]19 is to continue that 4% growth, which will produce on a pre-indemnity basis, an adjusted EBITDA margin of 13% and post-indemnity, a 10% adjusted EBITDA margin***.

7. On October 29, 2018, Resideo stock began trading on the NYSE under the ticker symbol "REZI," opening at $28.00 per share. The same day, the Company filed a Form 8-K with the SEC announcing amendments to the Registration Statement issued in connection with the spin-off, which included the appointment of the Company's new Board of Directors and officers.

[4] Emphasis has been added herein unless otherwise noted.

8. On October 30, 2018, the Company announced that it was now trading independently from Honeywell, with the expectation of new product launches to expand its offerings in the modern home technology market:

> **Resideo Redefines the Smart Home Experience, Now Trading as a Stand-Alone Company**
>
> * * *
>
> Resideo Technologies, Inc. (NYSE: REZI), a global provider of residential comfort and security solutions, and distributor of low-voltage and security products, is now a stand-alone, publicly traded company following its spinoff from Honeywell International Inc. Resideo will establish a headquarters in Austin, Texas, in early 2019.

9. During the Class Period, Resideo continued to assure investors that the Company was poised to meet its 2018 guidance at the high end of its forecasted range, and more importantly, for 2019 the Company would achieve 4%+ organic growth and ~13% adjusted EBITDA margin. Further, while the Company acknowledged it had experienced operational disruptions (primarily administrative) in connection with the spin-off, defendants repeatedly assured investors that any negative effects of the spin-off were largely "behind [them]" or minimizing and reiterated their fiscal year ("FY") 2019 guidance for the Company, stating as late as August 8, 2019 that the Company's performance to date put it on track to make its FY19 revenue guidance. For example:

- <u>November 14, 2018</u>: "We are actively addressing these supply chain issues, and we're already seeing product flows moving back towards normal volumes."
- <u>March 7, 2019</u>: "'***[W]e successfully executed the spin and met or exceeded financial expectations. The disruption from the spin is mostly behind us*** . . . .'"

- May 8, 2019: "Reiterating the full-year 2019 guidance for revenue growth of 2-5% and ***Adjusted EBITDA of $410 - $430 million at the upper end of the range***[.]"

- May 9, 2019: "***We're also starting to move beyond some of the supply chain and cost spin burdens***."

- August 8, 2019: "We are finally starting to see some normalcy after all the spin work . . . . ***But most important, our Q2 was strong, keeping us on track to hit our previously provided guidance for 2019***."

10. Each of these representations was materially false and misleading when made because defendants failed to disclose the following true facts, which were known to defendants or recklessly disregarded by them:

(a) The negative operational effects of the spin-off were more substantial and persistent than disclosed and had negatively affected the Company's product sales, supply chain, and gross margins, putting Resideo's FY19 financial forecasts at risk; and

(b) As a result of the foregoing, the Company's financial guidance lacked a reasonable basis and the Company was not on track to make its FY19 guidance as claimed.

11. As a result of defendants' material misrepresentations and omissions, Resideo stock traded at artificially inflated prices of more than $26 per share during the Class Period.

12. Then, on October 22, 2019, Resideo shocked investors when it issued its preliminary financial results for the third quarter of 2019, announcing that it had missed revenue and earnings targets and was lowering its recently reaffirmed revenue outlook for FY19 by ***$80 million***. According to the Company's press release:

- The Comfort business declines were primarily due to lower sales volumes in non-connected thermostats.

- ***Poor pre-spin cutover from the prior generation of non-connected thermostats to the T-Series line impacted the adoption of mid-level T-Series thermostats***.
- ***Previously anticipated full-year 2019 Products & Solutions segment revenue would be reduced by approximately $80 million***.
- ***A single large new customer had delayed its purchases, resulting in an expected negative impact on fourth-quarter revenue of approximately $22 million***.

13. Also on October 22, 2019, the Company announced that defendant Ragan, the Company's CFO, would be leaving as of November 6, 2019.

14. Following these alarming disclosures and a significant reduction in the Company's outlook for free cash flow, Resideo's stock price declined more than ***40%***, from a close of $15.23 per share on October 22, 2019 to a close of $9.50 per share on October 23, 2019, on massive volume of more than 16 million shares traded.

JURISDICTION AND VENUE

15. Jurisdiction is conferred by 28 U.S.C. §1331 and §27 of the 1934 Act. The claims asserted herein arise under §§10(b) and 20(a) of the 1934 Act, 15 U.S.C. §§78j(b) and 78t(a), and Rule 10b-5 promulgated thereunder, 17 C.F.R. §240.10b-5.

16. Venue is proper in this District pursuant to 28 U.S.C. §1391(b), because Resideo was headquartered in this District and many of the acts and practices complained of herein occurred in substantial part in this District.

17. In connection with the acts and conduct alleged in this complaint, defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails and interstate wire and telephone communications.

PARTIES

18. Plaintiff St. Clair County Employees' Retirement System purchased Resideo common stock as described in the attached certification incorporated herein by reference and was damaged thereby.

19. Defendant Resideo Technologies, Inc. is a Delaware corporation whose stock trades on the NYSE under the ticker symbol "REZI." At the outset of the Class Period, the Company was headquartered in Golden Valley, Minnesota. In early 2019, the Company relocated its headquarters to Austin, Texas.

20. Defendant Michael G. Nefkens ("Nefkens") is, and was at all relevant times during the Class Period, President and CEO of the Company.

21. Defendant Joseph D. Ragan III ("Ragan") is, and was at all relevant times during the Class Period, Executive Vice President and CFO of the Company. On October 22, 2019, Resideo announced Ragan's departure from the Company, effective November 6, 2019.

22. Defendants Nefkens and Ragan are collectively referred to herein as the "Individual Defendants."

CONTROL PERSONS

23. As officers and controlling persons of a publicly held company whose common stock is traded on the NYSE and governed by the provisions of the federal securities laws, the Individual Defendants each had a duty to promptly disseminate accurate and truthful information with respect to the Company's financial condition, performance, growth, operations, financial statements, business, markets, management, earnings, and present and

future business prospects, and to correct any previously issued statements that had become materially misleading or untrue, so that the market price of the Company's common stock would be based upon truthful and accurate information. The Individual Defendants' misrepresentations and omissions during the Class Period violated these specific requirements and obligations.

24. The Individual Defendants participated in the drafting, preparation, and/or approval of the various public, shareholder, and investor reports and other communications complained of herein and were aware of, or recklessly disregarded, the misstatements contained therein and omissions therefrom, and were aware of their materially false and misleading nature. Because of their Board membership and/or executive and managerial positions with Resideo, each of the Individual Defendants had access to the adverse undisclosed information about the Company's financial condition and performance as particularized herein and knew (or recklessly disregarded) that these adverse facts rendered the positive representations made by or about Resideo and its business or adopted by the Company materially false and misleading.

25. The Individual Defendants, because of their positions of control and authority as officers and/or directors of the Company, were able to (and did) control the content of the various SEC filings, press releases, and other public statements pertaining to the Company during the Class Period. Each of the Individual Defendants was provided with copies of the documents alleged herein to be misleading prior to or shortly after their issuance and/or had the ability and/or opportunity to prevent their issuance or cause them to be corrected. Accordingly, each of the Individual Defendants is responsible for the accuracy of the public

reports and releases detailed herein and is therefore primarily liable for the representations contained therein.

26. The Company and the Individual Defendants are liable as participants in a fraudulent scheme and course of business that operated as a fraud or deceit on purchasers of Resideo common stock by disseminating materially false and misleading statements and/or concealing material adverse facts. The scheme: (i) deceived the investing public regarding Resideo's business, operations, and management and the intrinsic value of Resideo common stock; and (ii) caused plaintiff and other members of the Class (defined herein) to purchase Resideo common stock at artificially inflated prices.

SUBSTANTIVE ALLEGATIONS

27. On October 29, 2018, Resideo stock began trading on the NYSE under the ticker symbol "REZI," opening at $28.00 per share. The same day, the Company filed a Form 8-K with the SEC announcing, among other things, amendments to the previously filed Registration Statement concerning the appointment of the Company's new Board of Directors and officers. The Company failed to inform investors that the spin-off presented significant structural and operational problems for the Company, which would impact its results and prospects, including its previously announced FY19 guidance.

28. On October 30, 2018, the Company issued a press release announcing the completion of the spin-off and that it was now trading independently from Honeywell, with the expectation of new product launches to expand its offerings in the modern home technology market:

> **Resideo Redefines the Smart Home Experience, Now Trading as a Stand-Alone Company**
>
> * * *
>
> Resideo Technologies, Inc. (NYSE: REZI), a global provider of residential comfort and security solutions, and distributor of low-voltage and security products, is now a stand-alone, publicly traded company following its spinoff from Honeywell International Inc. Resideo will establish a headquarters in Austin, Texas, in early 2019.
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> * * *
>
> "If you've ever tried to piece together a smart home yourself, you know how complicated it can be. It can mean dozens of gadgets and apps, rewiring, and troubleshooting. Our mission is to offer a different choice in the industry and make it easier to upgrade to a smart home," [Resideo CEO Nefkens] said.
>
> Resideo benefits from long-standing relationships with professional dealers and contractors, who purchase 95 percent of the company's residential products. The company will launch an expanded Contractor PRO loyalty program for the HVAC industry this year. It also will expand its Live Well program, which will allow HVAC technicians to test for airborne pollutants in the home and make informed recommendations, generating greater revenue opportunities while benefitting consumers.

29. On November 8, 2018, the Company gave a presentation at the Baird 2018 Global Industrial Conference. Defendant Ragan gave an overview of the Company's business operations accompanied by PowerPoint slides. The PowerPoint presentation was filed as an attachment to the Company's Form 8-K filed the same day. The Company's presentation slides reiterated its "2019 Full Year Financial Metrics," including 4%+ organic growth and ~13% adjusted EBITDA margin.

30. On November 13, 2018, the Company issued a press release announcing its third quarter 2018 financial results and reaffirming the Company's 2019 outlook. The press release reported that the Company had experienced "temporary" supply chain issues as a

result of the spin-off, which had affected the Products segment, but assured investors the issues were being resolved. The press release stated in relevant part:

RESIDEO ANNOUNCES THIRD QUARTER 2018 FINANCIAL RESULTS

Delivers 4 Percent Reported Sales Growth, with $1.2 Billion in Revenue

- ***Successful spinoff from Honeywell*** . . .
- Organic Sales up 5 percent
- Reported Net Income of $311 million; Adjusted Net Income of $88 million

* * *

- ***Reaffirms full-year 2018 guidance and 2019 outlook***

* * *

Third-Quarter Performance

Net sales for the third quarter were up 4.2 percent on a reported basis and up 4.9 percent organically. . . . Third-quarter reported net income was $311 million and Adjusted EBITDA was $117 million.

* * *

Products sales increased by 1 percent on a reported basis, and 2 percent on an organic basis, the difference being driven by the unfavorable impact of currency translation. Products segment performance was impacted by temporary supply chain issues as a result of the spin-off, which Resideo is actively resolving. . . .

Distribution sales increased by 6 percent on a reported basis, and 7 percent organically, primarily due to volume growth across key geographic markets . . . . Distribution segment profit increased by 3 percent, partially offset by an increase in cost of goods sold.

* * *

Full-Year 2018 Guidance and 2019 Outlook

The company today reaffirmed its guidance for full-year 2018 at the high end of the previously stated range. Resideo expects to realize net sales

> between $4.77 billion and $4.83 billion [and] pro forma adjusted EBITDA between $605 million and $615 million . . . .
>
> ***The company also reiterated its expectations for full-year 2019, including 4 percent organic revenue growth [and] adjusted EBITDA margin of 13 percent*** . . . .

31. On November 13, 2018, following the Company's announcement of its third quarter 2018 financial results, Oppenheimer issued a report titled "Resideo Technologies Reports 3Q18, Maintain Outperform." The report discussed the Company's improved third quarter 2018 revenues year over year and that the Company had beaten Oppenheimer's estimates, despite the "typical" spin-off related issues in the Products segment, which the Company said had been largely resolved:

> **Resideo Technologies, Inc.**
> **Reports 3Q18, Maintain Outperform**
>
> * * *
>
> Helped by solid growth at ADI, Resideo reported revenues of $1,200M vs. our $1,193M (despite spin-related supply chain issues in Products). EBITDA of $110M declined $3M YoY, owing to $7M of spin-related costs. ***Full-year guidance was raised to the high-end of the range, and the company reiterated its 2019 outlook*** . . . .
>
> * * *
>
> - ***Products revenues of $526M improved ~2% YoY organically, as segment performance was impacted by typical spin-off-related supply chain headwinds. Management expects these temporary headwinds to subside quickly*** and for the business to normalize in 4Q18.

32. On November 14, 2018, the Company held an earnings conference call, hosted by Nefkens and Ragan, to discuss the Company's third quarter 2018 financial results and provide guidance for FY18 and FY19. On the call, defendants explained that pre-spin supply

chain issues that affected quarterly performance were being addressed and product flows were already getting back to normal:

> [Nefkens:] ***As many of you have already heard from Honeywell on their Q3 earnings call, we experienced some spin-related supply chain issues that temporarily increased our backlog and additional spin-related cost that negatively impacted our revenue and EBITDA for the quarter. We are actively addressing these supply chain issues, and we're already seeing product flows moving back towards normal volumes***.
>
> ***With the spin behind us, operationally, our team is focused and back on track***.

33. Following their prepared remarks, defendants Nefkens and Ragan answered questions from analysts, stating that pre-spin supply chain issues were merely administrative and that volume sales were already getting back to normal. According to the Company, defendants were in a position to reaffirm guidance because of this return to normalcy:

> [Analyst:] So just to start off, can you guys provide any additional insight on the 1% growth you saw in products this quarter? Maybe give a – If you could give a big help of how much of the growth was really impacted by spin-related supply chain noise in the quarter. And then going forward, what do you view as a normalized growth rate and how quickly can you get there?
>
> [Nefkens:] Yes. Great, Mark, thanks for the question. So yes, so ***I'll talk a little bit about the spin-related supply chain issues that we put out there because it did affect us in Q3, as expected***. I talked about these at Investor Day. Typically, what they are, are items – I'll just give you a really good example, ***like most of them, believe it or not, are administrative items***. We had an example of customs-related issues where paperwork comes in under the Honeywell name, product news to actually be – come out under the Resideo name. Took a couple of days to do that. We also have some plant shifts that we're making in Europe as a result of the spin. So these are just items that we knew were in front of us. ***We planned for it. In Q4, I can tell you right now we're already seeing volumes coming back to normal***. And I told the team and we're still looking out, there's still a few things we've got to make sure come through before we get clean. So I would tell you we're still seeing a few of those headwinds here in Q4, as expected. ***And we'll be fully back and running*** here ***by Q1. Again, the reason that we're able to affirm our guidance at the top end of the range is because we're already working***

> ***through these items and we're very comfortable that we're on the other side of it now.***

34. On December 12, 2018, the Company gave a presentation at the Imperial Capital Security Investor Conference. During the conference, defendant Ragan emphasized the strength of the very supply chain that had presented challenges in the third quarter:

> From a supply chain perspective, we have 18 factories globally. We have done a significant amount of work on the factory rationalization. 10 years ago, there were 50 factories and somehow Michael got from 50 to 18 and doubled the revenue, which is spectacular.
>
> . . . ***So the company is incredibly efficient from a manufacturing supply chain perspective.***

35. On March 7, 2019, the Company issued a press release announcing its fourth quarter and FY18 financial results and adjusted FY19 guidance. The Company bragged that its fourth quarter results were exceptional and at the high end of the forecasted range, despite pre-spin performance issues, and defendant Nefkens reiterated that the disruption from the spin-off was mostly "behind us." Nevertheless, the Company reduced its previously issued FY19 guidance from 4%-5% to 2%-5%, confusing analysts and triggering a stock sell-off. The press release stated, in part:

> **Resideo Technologies Delivers Results at High End of Range for Fourth Quarter and Full-Year 2018**
>
> **Announces Long-Term Vision and Updated 2019 Outlook**
>
> **Fourth Quarter Highlights**
>
> - Net Revenue Increased 5 Percent to $1,266 million
> - Reported Net Income of $16 million; Adjusted Net Income of $38 million, which includes the Honeywell reimbursement agreement payments

- Pro Forma Adjusted EBITDA of $136 million including the Honeywell reimbursement agreement payments; $171 million excluding reimbursement

- Strong free cash flow drove Net Debt down to $936 million as of quarter-end, ahead of Q4 plan

Full-Year Highlights

- Net Revenue Increased 7 Percent to $4,827 million

- Reported Net Income of $405 million; Adjusted Net Income of $303 million, which includes the Honeywell reimbursement agreement payments

- Pro Forma Adjusted EBITDA of $476 million including the Honeywell reimbursement agreement payments; $616 million excluding reimbursement

- "Vision 2023" Long-Term Growth Strategy; Updated 2019 Outlook

. . . Resideo Technologies, Inc. (NYSE: REZI) today announced its fourth-quarter and full year earnings along with its long-term strategy for growth and margin expansion. . . .

"We delivered strong performance for the fourth quarter and full year, ***despite the spin-related cost*** base coming in higher than expected," said Mike Nefkens, president and CEO of Resideo. "***I am proud of our team's accomplishments as we successfully executed the spin and met or exceeded financial expectations***.

"***The disruption from the spin is mostly behind us and we have a solid team in place that delivered great results in 2018***, and we are ready to do even more."

* * *

<u>**Financial Performance**</u>

* * *

Products and Solutions (P&S) revenue in the fourth quarter was $602 million, up 4 percent on a reported basis and 5 percent on a constant currency basis. P&S segment profit decreased 20 percent, ***impacted by one-time spin-related costs***.

Full-year P&S revenue was $2,169 million, up 6 percent on a reported basis and 5 percent on a constant currency basis. P&S segment profit was $381 million, representing an 8 percent increase on the prior year.

Global Distribution revenue in the fourth quarter was $664 million, up 6 percent on reported basis and 7 percent on a constant currency basis. Global Distribution segment profit was $35 million, up 21 percent.

For the full year, Global Distribution delivered revenue of $2,658 million, an increase of 7 percent on a reported basis and 6 percent on a constant currency basis. Global Distribution segment profit was $148 million, up 13 percent on the prior year.

* * *

Cash Flow Generation and 2019 Guidance

* * *

"***We have updated our 2019 revenue guidance from 4 percent to a range of 2 to 5 percent, which reflects moderating housing metrics, shifting portfolio mix – with a higher weighting of ADI and connected products – and increased growth investment for the future***[," said defendant Ragan].

36. Following the March 7, 2019 announcement of the Company's fourth quarter and FY18 financial results, Resideo held a conference call for analysts and investors hosted by defendants Nefkens and Ragan. During the call, defendant Nefkens told analysts and investors that the spin-off was on or ahead of schedule, stating as follows:

I also feel really good that most of the disruption from the spin is now behind us . . . .

As I've shared in the past, this is my third spin, and we are on schedule, and in some cases, ahead of schedule, when I compare to previous spins I've been part of.

* * *

While our spin-related cost base came in higher than expected and put some downward pressure on our near-term EBITDA, we are already taking action to optimize the cost base and operating footprint we inherited from the spin.

* * *

> ***First, we came out of the spin on time and delivered on the high end of the range for 2018***. This includes revenue, EBITDA and cash. This team knows how to execute.

37. Following their prepared remarks, defendants Nefkens and Ragan answered questions from analysts, including:

> [Analyst:] Very good fourth quarter, but I wanted to dig into the guide maybe a little bit on 2019, which was not exactly what we were expecting. But give us an idea of the increase in investment, why now? And how we expect to see investments going forward and maybe the returns of the investments? I know you have the outlook for longer term. But how do we expect to see this kind of progress? And again, why now?
>
> [Nefkens:] . . . ***As you guys know with a spin, this effectively is the first time that we are having all of our costs under our control. So there's a lot in here. And we are at a strategic inflection point. I would tell you that we are at or ahead of where I expected to be***. This market is moving really, really fast. And my biggest concern in the past is – when I've been asked, has been our ability to operate at speed versus industrial speed, and I didn't want to wait. I didn't want to just sit around and just keep going in [20]19. So we made the decision to be more aggressive on cost-cutting, which we're going to go do, which we've said here. I feel that will make us a leaner, faster company. And we've made the decision to pull some investments forward from 2020 into [20]19, and that's why we're investing more. So – and this is not about just helping us keep where we're at. This is about helping us get ahead.

38. In response to the fourth quarter 2018 and FY18 financial results, including the updated FY19 revenue guidance, which reduced the guidance from a range of 4%-5% to 2%-5%, the Company's stock price declined 23%, falling to $18.96 per share on March 7, 2019, from $24.75 per share on March 6, 2019. However, the Company's stock price remained inflated, as the Company continued to deceive investors about the impact of the spin-off and the Company's ability to achieve its FY19 guidance.

39. On March 8, 2019, Oppenheimer issued a report, titled "Thoughts From Management Meetings," in which it discussed its recent talks with Resideo management regarding the Company's cut in guidance on March 7, 2019:

> **Resideo Technologies, Inc.**
>
> **Thoughts from Management Meetings**
>
> * * *
>
> Management provided additional color regarding its 2019 guidance cut. The increased investment appears focused on both protecting the core professional channel and attacking new markets. While this may dilute margins, management believes it provides greater growth, more recurring revenues and a higher valuation. Separately, intended cost cuts of $50M throughout 2019 are not in guidance.
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> * * *
>
> - The biggest source of 2019 upside should be ADI, the distribution business. ADI should not only be the fastest growing division, it should improve margins 100bps within 18 months. . . .
> - Management discussed potential upside to 2019 guidance. Sources includes 1) tariffs lower than the expected 25%, 2) the opportunity to capitalize some of the incremental investment spend (~15% related to software cost) and 3) $50M of cost-outs by year-end.

40. On May 8, 2019, the Company issued a press release announcing its first quarter 2019 financial results. Defendants also stated that the Company was off to a great start and that cost saving initiatives were on track, reaffirmed the Company's FY19 revenue guidance, and stated that EBITDA was expected at the high end of guidance:

> **Resideo Technologies Delivers Strong First Quarter 2019**
>
> **Revenue, Adjusted EBITDA and EPS Exceeding Expectations**
>
> **First Quarter Highlights**
>
> - Net Revenue of $1,216 million, up 4% on a GAAP basis and 7% on a constant currency basis

- Adjusted EBITDA of $92 million; $127 million excluding Honeywell reimbursement agreement payments
- GAAP Net Income of $48 million; Adjusted Net Income of $36 million; Adjusted Net Income of $71 million excluding Honeywell reimbursement agreement payments
- GAAP EPS of $0.39; Adjusted EPS of $0.29
- $50 million cost reduction program on track with $10 million in potential savings expected to be realized in 2019
- Reiterating the full-year 2019 guidance for revenue growth of 2-5% and ***Adjusted EBITDA of $410 - $430 million at the upper end of the range***

. . . Resideo Technologies, Inc. (NYSE: REZI) reported first-quarter financial results for the quarter ended March 31, 2019. The company reported Net Revenue of $1,216 million, Adjusted EBITDA of $92 million and adjusted basic and diluted earnings per share of $0.29.

"***We're off to a great start in 2019 with strong Q1 revenue performance in both our Global Distribution and Products & Solutions businesses***. . . ."

<u>First-Quarter Performance</u>

*　　*　　*

Products & Solutions revenue increased by 5% on a GAAP basis, and 8% on a constant currency basis. Security demonstrated strong growth, led by the launch of the next generation residential security platform.

*　　*　　*

At the Consumer Electronics Show in January, ***Resideo announced its Honeywell Home™ T-Series Smart Thermostats – the T9 and T10 Pro – which feature wireless*** smart room sensors. . . .

. . . ***Q1 was a strong quarter for Products & Solutions***, demonstrating both core business innovation and global growth.

Global Distribution revenue for the quarter increased by 4% on a GAAP basis, and 6% on a constant currency basis. . . .

> The company's ADI Global Distribution business achieved growth in the quarter driven by the Security and Life Safety product categories, as well as through expansion of its Professional A/V growth initiative.
>
> * * *
>
> **Guidance and cash flow generation**
>
> * * *
>
> Looking ahead to the second quarter, the company's investment programs, which have already begun and are on track, are expected to accelerate – particularly with its new comfort platform and supporting digital programs. The company continues to anticipate its EBITDA profile will be 40% weighted to the first half of 2019 and 60% weighted to the back half of the year as the company also executes on its cost reduction program.
>
> "As we invest in the business for growth, we are pleased with our cash generation. We remain disciplined in our approach to cash management, exiting the first quarter with zero drawn on our $350 million revolver," said Joe Ragan, executive vice president and chief financial officer. ***"We are on track with our previously announced cost reduction program and expect $50 million in annualized savings by 2020. With continued confidence in our ability to execute and positive first-quarter results, we are reiterating our full-year 2019 guidance to reflect revenue growth of 2-5% and Adjusted EBITDA at the upper end of the range of $410 to $430 million***."

41. On May 9, 2019, following the Company's announcement of its first quarter 2019 financial results and FY19 guidance, the Company held a conference call for analysts and investors hosted by defendants Nefkens and Ragan. During the call, defendants stated that Resideo was seeing continued improvement in the supply chain issues related to the Honeywell spin-off and reiterated the Company's revenue guidance on the basis that they were able to "gather more visibility into 2019":

> [Nefkens:] Growth in the quarter was solid across our core business with high growth in our Pro Security business, led by the launch of our next-generation residential pro security platform. Volume shipments began for our largest customer in February, and we expect to be at full capacity across our customer base by the first half of 2020. . . .

> Next, in our Comfort business, we celebrated the award-winning launch of multiple products at CES, including our T9 and T10 smart home thermostats. ***The product segment also saw tangible improvement in supply chain execution as we work through spin-related headwinds from the past 2 quarters***.
>
> *   *   *
>
> So net-net, a solid start to our investment initiatives and cost programs. ***We're also starting to move beyond some of the supply chain and cost spin burdens***.
>
> *   *   *
>
> [Ragan:] On Slide 10, you'll see our complete full year guidance. ***We've reiterated our guidance for growth in a range of 2% to 5% as we gather more visibility into 2019. As I mentioned, we are guiding to the upper end of the adjusted EBITDA range of $410 million to $430 million***.

42. On June 6, 2019, the Company and its top executives, including Ragan, gave a presentation at the Robert W. Baird Global Consumer, Technology & Services Conference. During the conference, defendants continued to guide to the "high end" of their revenue guidance for FY19. Defendant Ragan stated as follows:

> So we did – I'm sure everyone saw – announce our first quarter results last month. We did maintain our revenue growth. . . . And we also exceeded our adjusted EPS number.
>
> From a business unit perspective . . . the ***ADI execution is extraordinary***. It continues to grow both on top and bottom lines.
>
> *   *   *
>
> And the next-generation security platform is going great as far as the adoption. I'm sure everyone's seen the ADT commercials. That is our platform that they're highlighting there, and it is a great product.
>
> The T9, T10 functionality is actually the best in the market.
>
> *   *   *

> ***But we just guide to the high end of our $410 million to $430 million range***. As you can see here, bringing in the $10 million of improvement of cost reduction primarily is the benefit for the year.
>
> * * *
>
> ***So from a guidance perspective, we did update the guidance***. The biggest takeaway here is because of all the movements on the expense line for the environmental reimbursement agreement that we do, we've actually disclosed a cash tax number of $75 million for the year. As we reduced guidance earlier in the year, we actually reduced the cash tax number that would be paid for the year, but the rate has moved around because the environmental reimbursement doesn't change. So obviously, that will move the tax rate up and down. So I just – I thought it would simplify if we just actually disclosed the number.

43. On August 7, 2019, the Company issued a press release announcing its financial results for the second quarter of 2019 and again reaffirming revenue guidance for FY19:

> **Resideo Technologies Continues Growth Momentum In Second Quarter 2019**
>
> **Strong Revenue and Adjusted EBITDA with continued progress on previously announced growth and cost programs**
>
> **Second Quarter Financial Highlights**
>
> - Net Revenue of $1,242 million, up 4% on a GAAP basis and 6% on a Non-GAAP constant currency basis year over year
> - Adjusted EBITDA of $81 million; $116 million excluding Honeywell reimbursement agreement payments
>
> * * *
>
> - 2020 $50 million cost reduction program remains on track with $10 million in expected savings in 2019
> - ***Reiterating full-year 2019 guidance for revenue growth of 2 - 5% and upper end of the Adjusted EBITDA range of $410 - $430 million***
>
> . . . Resideo Technologies, Inc. (NYSE: REZI) reported second-quarter financial results for the quarter ended June 30, 2019. The company reported

Net Revenue of $1,242 million, Adjusted EBITDA of $81 million and adjusted basic and diluted earnings per share of $0.19.

"***Our momentum continues with strong top-line growth during the second quarter, spread evenly across our ADI Global Distribution and Products & Solutions businesses***," said Mike Nefkens, president and CEO of Resideo. . . ."

Second-Quarter Performance

Net revenue for the second quarter was up 4% on a GAAP basis and up 6% on a Non-GAAP constant currency basis year over year. GAAP Net Income was down during the second quarter with a Net Loss of $11 million, while Adjusted Net Income was $23 million, and $58 million excluding the Honeywell reimbursement agreement payments. Adjusted EBITDA was $81 million, or $116 million excluding the Honeywell reimbursement agreement payments.

ADI Global Distribution revenue for the quarter increased by 4% on a GAAP basis, and 6% on a Non-GAAP constant currency basis year over year. Segment performance was driven by solid organic revenue growth in the Americas and EMEA regions. . . . Growth in the quarter was driven by the Security and Life Safety product categories, as well as through continued expansion of its Professional A/V growth initiative.

* * *

Products & Solutions revenue increased by 4% on a GAAP basis, and 6% on a Non-GAAP constant currency basis year over year. ***Segment growth was driven by performance from the Security business with the migration to the new next-generation Pro Series security platform***.

* * *

Guidance and cash flow generation

* * *

The company reiterates full-year 2019 guidance of Revenue growth of 2 - 5% and the upper end of the Adjusted EBITDA range of ***$410 - $430 million***.

. . . "We remain committed to our previously announced EBITDA guidance, supported by our cost reduction program, which is on track to yield $50 million in annualized savings by 2020[," said defendant Ragan].

44. On August 8, 2019, following the announcement of the Company's second quarter 2019 financial results, the Company held a conference call for analysts and investors to discuss the results. The call was hosted by defendants Nefkens and Ragan, who emphasized that the effects of the spin-off were minimizing and that the Company had achieved its best supply chain performance in years. Defendants stated in part:

> [Nefkens:] Resideo is now 3 quarters post the Honeywell spin, and I'm happy to report that we had another solid quarter. ***We are finally starting to see some normalcy after all the spin work*** . . . .
>
> We settled into our new HQ in Austin, Texas, which enables us to have the leadership team in one location. Also, ***spin-related distractions are minimizing*** and the field teams have been able to go deep with our pro customers. We've also been able to spend time with many new investors. ***But most important, our Q2 was strong, keeping us on track to hit our previously provided guidance for 2019***.
>
> * * *
>
> ***As you may know, we had some supply chain headwinds pre- and post-spin. But due to new supply chain leadership and process changes, we're delivering more on time than ever before and our delivery metrics are the best they've been in 5 years***.
>
> * * *
>
> [Ragan:] We are more than confident we will mitigate any weakness with cost reductions. While we expect margin pressure to continue, we have performed well year-to-date from a revenue perspective, allowing us to maintain our EBITDA outlook.
>
> Our cost reduction programs remain on track, and we expect to realize $10 million in savings from them this year.
>
> * * *
>
> ***We are reiterating our full year guidance from a revenue and EBITDA perspective with revenue growth of 2% to 5% in the upper end of the adjusted EBITDA range of $410 million to $430 million***.
>
> * * *

> [Nefkens:] ***We maintained our momentum in the second quarter, delivering strong financial results in both revenue and EBITDA, putting us on track to hit our previously provided guidance for the year***.

45. The Class Period representations by defendants concerning the Company's business and financial condition, including its forecasted financial results, were each materially false and misleading when made because defendants failed to disclose the following true facts, which were known to defendants or recklessly disregarded by them:

(a) The negative effects of the spin-off were more substantial and persistent than disclosed and had negatively affected the Company's sales, supply chain, and gross margins; and

(b) As a result of the foregoing, the Company's financial guidance lacked a reasonable basis and the Company was not on track to make its FY19 guidance as claimed.

46. On October 22, 2019, after the market closed, the Company issued a press release pre-announcing its third quarter 2019 financial results and reducing the Company's FY19 guidance by $80 million. In addition, the Company disclosed that it would be doing a full financial and operational review of its business:

> **Resideo Announces Selected Preliminary Third Quarter Revenue And Adjusted EBITDA Results, Revises Guidance For Full Year 2019**
>
> - Third Quarter Revenue Expected to be $1.226 Billion and Third Quarter Adjusted EBITDA (Non-GAAP) Expected to be Approximately $77 Million to $79 Million
> - Full Year 2019 Revenue Expected to be Between $4.92 Billion and $5.0 Billion and Full Year 2019 Adjusted EBITDA (Non-GAAP) Expected to be in the Range of $330 Million to $350 Million
> - Products & Solutions Headwinds Primarily Driven by Reduced Customer Demand in RTS Gas Combustion Business and Certain Product Families of Comfort Non-Connected Thermostats

- Company Launches a Comprehensive Operational and Financial Review Focused on Product Cost/Gross Margin Improvement and G&A Simplification

. . . Resideo Technologies, Inc. (NYSE: REZI), a leading global provider of home comfort and security solutions, today announced that its adjusted EBITDA (non-GAAP) for the third quarter of 2019 is estimated to be approximately $77 million to $79 million. Revenue for the third quarter is anticipated to be $1.226 billion, representing a 2% growth rate year-over-year.

In the third quarter, the ADI Global Distribution business continued to grow as planned. ***The Products & Solutions segment experienced revenue decline*** in certain product families of the Comfort business and in its Residential Thermal Solutions (RTS) gas combustion business. ***We believe the RTS slowdown was driven by certain recent regulatory changes and a general slowdown across large OEM customers in the sector***.

The Comfort business declines were primarily due to lower sales volumes in non-connected thermostats. We believe a poor pre-spin cutover from the prior generation of non-connected thermostats to the T-Series line impacted the adoption of mid-level T-Series thermostats. The cutover effects became markedly more pronounced in the third quarter after the prior generation of non-connected thermostats were discontinued. The company is working with its channel partners to enhance and better position the T-Series and expects significant improvement in 2020.

The company expects these headwinds to continue into the peak winter demand period, which is expected to reduce previously anticipated full-year 2019 Products & Solutions segment revenue by approximately $110 million. Approximately $66 million of this expected shortfall is from Comfort and $22 million from RTS, with the related gross margin and adjusted EBITDA impacts. While the Security business continues to grow, a single large new customer delayed the start date of its purchases beyond the fourth quarter, resulting in an expected negative impact on fourth-quarter revenue of approximately $22 million.

The company's new generation security products and connected thermostats have experienced solid growth. ***However, with the transition, these products have yet to benefit from lifecycle value engineering, adversely impacting full-year 2019 Products & Solutions segment gross margins. The company is actively investing in its value engineering team and expects meaningful improvement to gross margins over the next 18 months***.

As a result, the company is updating its full-year 2019 adjusted EBITDA guidance to be in the range of $330 million to $350 million,

compared to previously expected $410 million to $430 million. ***The company also is updating its full-year 2019 guidance for revenue growth to 2% to 4%***, as compared to previously expected 2% to 5%.

Operational and Financial Review

Resideo has begun a comprehensive operational and financial review, focused on improving gross margins and optimizing its organizational footprint. The aim of the review is to simplify internal processes that will enable Resideo to be more agile in responding to changing customer and marketplace dynamics. The company has retained industry-recognized experts in supply chain optimization and organizational excellence to assist in the review.

The review will build upon the previously announced cost optimization program, which is on track to achieve approximately $15 million in realized savings in 2019 and $50 million in run-rate savings by the end of 2020. The new operational and financial review is expected to capture incremental gross margin and operating expense savings in 2020. We believe significant gross margin opportunity exists in Comfort and Security products through value engineering cost reductions. Resideo plans to provide a detailed report of planned actions, anticipated timelines, and progress made to date in conjunction with the announcement of its fourth-quarter and full-year 2019 financial results, expected in February 2020.

"While I am disappointed in our preliminary results for the third quarter, we remain confident in the fundamentals of our business," said Mike Nefkens, president and CEO of Resideo. "The issues impacting our second-half 2019 results underscore the urgency to simplify our operations, reduce our cost structure, increase agility throughout the organization and drive adoption of our products in the professional, do-it-for-me channel where Resideo is a market leader. We are aggressively addressing challenges through a comprehensive operational and financial review of the company, with a particular focus on the Products & Solutions segment. We are targeting areas to drive improved financial performance and are confident we are pursuing the necessary changes to deliver superior shareholder value."

47. Also on October 22, 2019, the Company announced that its CFO, defendant Ragan, would be leaving the Company as of November 6, 2019:

Resideo Announces CFO Transition

. . . Resideo Technologies, Inc. (NYSE: REZI), a leading global provider of home comfort and security solutions, today announced that Robert

(Bob) Ryder has been named interim chief financial officer, effective Nov. 7, 2019. Bob will succeed Joseph Ragan, who is leaving the company on Nov. 6, 2019, to pursue other opportunities.

48. Following these disclosures, Oppenheimer downgraded the Company's stock from "outperform" to "perform," and Imperial Capital reduced its price target for Resideo stock to $12.00 from $25.00.

49. On these disclosures, including the significant reduction in Resideo's outlook for free cash flow, the price of the Company's stock declined more than 40%, from a close of $15.23 per share on October 22, 2019 to a close of $9.50 per share on October 23, 2019, on massive volume of more than 16 million shares traded.

50. The market for Resideo common stock was open, well developed, and efficient at all relevant times. As a result of defendants' materially false and misleading statements and omissions, as set forth above, Resideo common stock traded at artificially inflated prices during the Class Period. Plaintiff and other members of the Class purchased Resideo common stock relying upon the integrity of the market price of Resideo common stock and market information relating to Resideo, and have been damaged thereby.

51. During the Class Period, defendants materially misled the investing public, thereby inflating the price of Resideo common stock, by publicly issuing false and misleading statements and omitting to disclose material facts necessary to make defendants' statements, as set forth herein, not false and misleading. Said statements and omissions were materially false and misleading in that they failed to disclose material adverse information and misrepresented the truth about the Company, its business and operations, as alleged herein.

52. At all relevant times, the material misrepresentations and omissions particularized in this complaint directly or proximately caused or were a substantial contributing cause of the damages sustained by plaintiff and other members of the Class. As described herein, during the Class Period, defendants made or caused to be made a series of materially false or misleading statements about Resideo's business, prospects, and operations. These material misstatements and omissions had the cause and effect of creating, in the market, an unrealistically positive assessment of Resideo and its business, prospects, and operations, thus causing the Company's common stock to be overvalued and artificially inflated at all relevant times. Defendants' materially false and misleading statements during the Class Period resulted in plaintiff and other members of the Class purchasing Resideo common stock at artificially inflated prices, thus causing the damages complained of herein. When the true facts about the Company were revealed to the market, the inflation in the price of Resideo common stock was removed and the price of Resideo common stock declined dramatically, causing losses to plaintiff and the other members of the Class.

ADDITIONAL SCIENTER ALLEGATIONS

53. As alleged herein, Resideo and the Individual Defendants acted with scienter in that they knew that the public documents and statements issued or disseminated in the name of the Company were materially false and misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws. As set forth elsewhere herein in detail, these defendants, by virtue of their receipt of information reflecting the true

facts regarding Resideo, their control over, and/or receipt and/or modification of Resideo's allegedly materially misleading statements and/or their associations with the Company which made them privy to confidential proprietary information concerning Resideo, participated in the fraudulent scheme alleged herein.

LOSS CAUSATION/ECONOMIC LOSS

54. During the Class Period, as detailed herein, defendants made false and misleading statements about Resideo's business, operations, and prospects and engaged in a scheme to deceive the market. This artificially inflated Resideo's stock price and operated as a fraud or deceit on the Class. Later, when defendants' prior misrepresentations and fraudulent conduct became apparent to the market, Resideo's stock price fell precipitously, as the prior artificial inflation came out of the stock price over time. As a result of their purchases of Resideo common stock during the Class period, plaintiff and other members of the Class suffered economic loss, *i.e.*, damages, under the federal securities laws.

NO SAFE HARBOR

55. Resideo's "Safe Harbor" warnings accompanying its reportedly forward-looking statements ("FLS") issued during the Class Period were ineffective to shield those statements from liability. To the extent that projected revenues and earnings were included in the Company's financial reports prepared in accordance with Generally Accepted Accounting Principles ("GAAP"), including those filed with the SEC on Form 8-K, they are excluded from the protection of the statutory Safe Harbor. 15 U.S.C. §78u-5(b)(2)(A).

56. The defendants are also liable for any false or misleading FLS pleaded because, at the time each FLS was made, the speaker knew the FLS was false or misleading

and the FLS was authorized and/or approved by an executive officer of Resideo who knew that the FLS was false. None of the historic or present tense statements made by defendants were assumptions underlying or relating to any plan, projection, or statement of future economic performance, as they were not stated to be such assumptions underlying or relating to any projection or statement of future economic performance when made, nor were any of the projections or forecasts made by defendants expressly related to or stated to be dependent on those historic or present tense statements when made.

APPLICABILITY OF PRESUMPTION OF RELIANCE: FRAUD ON THE MARKET

57. Plaintiff will rely upon the presumption of reliance established by the fraud-on-the-market doctrine in that, among other things:

(a) Defendants made public misrepresentations or failed to disclose material facts during the Class Period;

(b) The omissions and misrepresentations were material;

(c) The Company's common stock traded in an efficient market;

(d) The misrepresentations alleged would tend to induce a reasonable investor to misjudge the value of the Company's common stock; and

(e) Plaintiff and other members of the Class purchased Resideo common stock between the time defendants misrepresented or failed to disclose material facts and the time the true facts were disclosed, without knowledge of the misrepresented or omitted facts.

58. At all relevant times, the market for Resideo common stock was efficient for the following reasons, among others:

(a) As a regulated issuer, Resideo filed periodic public reports with the SEC; and

(b) Resideo regularly communicated with public investors via established market communication mechanisms, including through the regular dissemination of press releases on major news wire services and through other wide-ranging public disclosures, such as communications with the financial press, securities analysts, and other similar reporting services.

CLASS ACTION ALLEGATIONS

59. Plaintiff brings this action as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure on behalf of all persons who purchased Resideo common stock during the Class Period (the "Class"). Excluded from the Class are defendants and their family members, the directors and officers of Resideo at all relevant times, members of their families and their legal representatives, heirs, successors or assigns, and any entity in which defendants have or had a controlling interest.

60. The members of the Class are so numerous that joinder of all members is impracticable. The disposition of their claims in a class action will provide substantial benefits to the parties and the Court. Resideo has more than 122 million shares of stock outstanding, owned by hundreds or thousands of persons.

61. There is a well-defined community of interest in the questions of law and fact involved in this case. Questions of law and fact common to the members of the Class that predominate over questions that may affect individual Class members include:

(a) Whether the 1934 Act was violated by defendants;

(b) Whether defendants omitted and/or misrepresented material facts;

(c) Whether defendants' statements omitted material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;

(d) Whether defendants knew or recklessly disregarded that their statements were false and misleading;

(e) Whether the price of Resideo common stock was artificially inflated; and

(f) The extent of damage sustained by Class members and the appropriate measure of damages.

62. Plaintiff's claims are typical of those of the Class because plaintiff and the Class sustained damages from defendants' wrongful conduct.

63. Plaintiff will adequately protect the interests of the Class and has retained counsel who are experienced in class action securities litigation. Plaintiff has no interests which conflict with those of the Class.

64. A class action is superior to other available methods for the fair and efficient adjudication of this controversy.

COUNT I

For Violation of §10(b) of the 1934 Act and Rule 10b-5 Against All Defendants

65. Plaintiff incorporates ¶¶1-64 by reference.

66. During the Class Period, defendants disseminated or approved the false statements specified above, which they knew or recklessly disregarded were misleading in

that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

67. Defendants violated §10(b) of the 1934 Act and Rule 10b-5 in that they:

(a) Employed devices, schemes, and artifices to defraud;

(b) Made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or

(c) Engaged in acts, practices, and a course of business that operated as a fraud or deceit upon plaintiff and others similarly situated in connection with their purchases of Resideo common stock during the Class Period.

68. Plaintiff and the Class have suffered damages in that, in reliance on the integrity of the market, they paid artificially inflated prices for Resideo common stock. Plaintiff and the Class would not have purchased Resideo common stock at the prices they paid, or at all, if they had been aware that the market prices had been artificially and falsely inflated by defendants' misleading statements.

69. As a direct and proximate result of defendants' wrongful conduct, plaintiff and the other members of the Class suffered damages in connection with their purchases of Resideo common stock during the Class Period.

COUNT II

For Violation of §20(a) of the 1934 Act Against All Defendants

70. Plaintiff incorporates ¶¶1-69 by reference.

71. The Individual Defendants acted as controlling persons of Resideo within the meaning of §20 of the 1934 Act. By virtue of their positions and their power to control public statements about Resideo, the Individual Defendants had the power and ability to control the actions of Resideo and its employees. Resideo controlled the Individual Defendants and its other officers and employees. By reason of such conduct, defendants are liable pursuant to §20(a) of the 1934 Act.

PRAYER FOR RELIEF

WHEREFORE, plaintiff prays for judgment as follows:

A. Determining that this action is a proper class action, designating plaintiff as Lead Plaintiff, and certifying plaintiff as Class representative under Rule 23 of the Federal Rules of Civil Procedure and plaintiff's counsel as Lead Counsel;

B. Awarding plaintiff and the members of the Class damages and interest;

C. Awarding plaintiff's reasonable costs, including attorneys' fees; and

D. Awarding such equitable/injunctive or other relief as the Court may deem just and proper.

JURY DEMAND

Plaintiff demands a trial by jury.

DATED: November 8, 2019

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